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E.O. 12958: DECL: 04/20/2019
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SUBJECT: CONFIRMING USG OFFER ON EGYPT ASSISTANCE

REF: A. CAIRO 613 B. STATE 31978

Classified By: NEA Acting A/S Jeffrey Feltman, Reasons
1.4 b & d

¶1. (U) This is an action request. Please see paragraph three.

SUMMARY

¶2. (S) The Department appreciates the Ambassador's efforts to consult with the GOE about the way forward on Economic Support Funds (ESF), per ref A. Please continue conversations with the GOE with the objectives and clarifications outlined here. End Summary.

ACTION REQUEST

¶3. (SBU) Ambassador should approach the Egyptian Prime Minister or other appropriate senior official to achieve the following objectives.

-- Continue consultations with the GOE about our approach to FY 2010 Egypt assistance and on the long term foreign assistance relationship. The Administration is not prepared to discuss specific 2011 funding levels at this time.

-- Confirm that the USG cannot identify additional funding for Egypt in FY 2010, above that already presented in prior discussions.

-- Offer to entertain the GOE's request to modify the use of proceeds from past and future cash transfers to make these funds more useful to the GOE in the current financial situation.

-- Express the Administration's intention to oppose Congressional initiatives to reinsert the FY 2008 legislative conditionality into the FY 2010 appropriations bill. Note that, as a general rule, the Administration opposes all Congressional earmarks.

-- Inform the GOE that the USG has decided on a new approach to D&G funding for FY 2009.

-- Secure GOE agreement to program FY 2009 ESF.

REPORTING DEADLINE AND POINT OF CONTACT

¶4. (U) Post should approach the Government of Egypt by April 24, 2009, and report response. Please contact NEA/ELA Katherine Allen (202-647-1022) via phone or e-

mail for additional information if needed.

BACKGROUND AND TALKING POINTS

¶5. (C) The USG continues to support the Ambassador's engaging in a serious, informal discussion on the long-term assistance relationship. Ambassador may inform the GOE that, although the USG is not prepared to discuss 2011 funding levels at this time, it would welcome a broader discussion of the long term foreign assistance relationship in a manner that highlights, to the maximum extent possible, our desire to hear and consider GOE views.

¶6. (SBU) As outlined in Ref B, the Administration intends to request from Congress an additional \$50 million in FY 2010 ESF for Egypt (\$250 million total). The Administration has also requested \$50 million FY 2009 supplemental Nonproliferation, Antiterrorism, Demining and Related (NADR) funding for scanners to help the GOE address smuggling across the Gaza border. It is not possible to raise the FY 2010 level further.

¶7. (SBU) In principle, the USG supports further conversations about restructuring the cash transfer to allow more flexible use of funds for the GOE, as long as they do not modify the negotiated benchmarks and associated sums. However, Washington will need to review specific information about any proposed modifications before agreeing to any changes.

¶8. (SBU) The FY 2008 appropriations act conditioned \$100M of assistance--from either FMF or ESF--on Egypt's progress on judicial independence, police reform, and prevention of smuggling into Gaza. Conditionality was not effective in compelling reform. The Administration intends to oppose such an initiative again in the future. At the same time, the issues addressed by the conditionality (Gaza border smuggling, police reform, and judicial reform) remain areas of concern to the United States. The Administration's ability to push back effectively on Congressional efforts to impose such conditionality increases in direct proportion to our ability to point to positive developments in these areas. As a standard practice, the Administration opposes any Congressional Egypt-specific earmarks, which would include those related to D&G.

¶9. (SBU) The United States intends to continue funding NGOs. We remain committed to the promotion of democracy and human rights in Egypt. However, in FY 2009 no bilateral ESF will support unregistered NGOs. On the other hand, we strongly encourage the GOE to ensure that registration of U.S. and Egyptian NGOs moves forward much more quickly. Some of these requests have been pending for several years. Accelerating registrations would be an important signal the GOE can send to affirm our mutual commitment to the values of democracy and good governance. It is also worth noting that numerous members of Congress watch very closely, and take into consideration in advancing legislative proposals, the degree to which NGOs in Egypt have freedom to act.

¶10. (SBU) Background on unregistered NGOs: For 2009, the Department is taking a new approach to funding unregistered NGOs without eliminating the current program. For 2010 we will look at possible options, but we are not in a position to confirm continuation at this time. This approach responds to GOE concerns about the bilateral ESF program, while preserving the USG's role as a leading advocate for greater openness and greater democratic participation among the Egyptian population. The Middle East Partnership Initiative (MEPI) and the Bureau for Democracy, Human Rights and Labor (DRL) have agreed to support this new approach. MEPI will provide \$1.3 million for direct grants to Egyptian civil society

organizations and other groups. According to its standard procedure for allocating HRDF, DRL will hold an open solicitation in Washington to allocate \$1.3 million for bids from U.S. and international NGOs to work in Egypt. DRL also expects that a portion of its funding will support "subgrants" through a U.S. or international NGO to local organizations in Egypt. USAID's grant to Freedom House, which was approved at a level of \$9.8 million over three years in November 2008, will need to be terminated, as no further funds would be available to continue this grant. End Background.

CLINTON